MASSPORT

ANNUAL REPORT

BY THE NUMBERS

1990

Massport's board and staff are pleased to dedicate this year's Annual Report to David W. Davis. With the exception of a three-month period at the end of 1982 — a period he likes to describe as "time off for good behavior" — Dave served as Massport's executive director from 1975 to 1990. In the course of those fifteen years, Logan Airport's passenger volume more than doubled, the decaying Boston waterfront experienced a welcome rebirth, and international air and sea cargo — especially export cargo — grew significantly. Massport was a crucial force in fostering this period of regional growth and prosperity, earning a national reputation for strong capital and fiscal management, for innovative programming in airport ground transportation, passenger services and facilities, and for excellence in environmental policy and community relations.

No one deserves more credit for these achievements than Dave Davis, who proved that Massport could be a powerful catalyst for regional economic development without sacrificing its role as a good neighbor to the residential communities which border its facilities. In his term as executive director, Dave built Massport into one of the most dynamic and successful port authorities in the nation. He has earned the affection and respect of all who have worked with him over the past fifteen years — and he has made a major and lasting contribution to the development of Massachusetts as an international center for commerce, travel, and trade.

The Annual Report of the Massachusetts Port Authority for the fiscal year ending June 30, 1990.

Massport by the Numbers.

THE CLIMATE IN WHICH MASSPORT OPERATES IS AS CHANGEABLE AS NEW ENGLAND WEATHER, AND THE PAST YEAR HAS BEEN UNUSUALLY INCLEMENT. REGARDLESS OF THE SHIFTS IN OUR POLITICAL AND ECONOMIC CLIMATE, MASSPORT'S JOB REMAINS THE SAME: TO MANAGE THE FLOW OF PEOPLE AND GOODS COMING INTO AND OUT OF BOSTON BY LAND, SEA, AND AIR. IN SHORT, TO KEEP NEW ENGLAND MOVING. WHEN EVERYTHING AND EVERYONE KEEPS MOVING SAFELY, CONVENIENTLY, AND COST-EFFECTIVELY, WE WILL HAVE DONE HALF OF OUR JOB WELL. WHEN WE CAN ASSURE THAT THEY CONTINUE TO DO SO IN THE DECADES TO COME — BY PLANNING FOR THE FUTURE AND SEEING THOSE PLANS REALIZED — WE HAVE DONE ALL OF OUR JOB WELL.

MASSPORT'S DUAL MISSION CAN ONLY BE ACHIEVED IF WE HAVE THE FINANCIAL RESOURCES NECESSARY FOR MAJOR CAPITAL IMPROVEMENTS TO OUR AIR, SEA, AND BRIDGE FACILITIES — AND IF WE STAND BY A COMMITMENT TO MAKING INVESTMENTS BEFORE A TRANSPORTATION CRISIS OCCURS. RIGHT NOW, MASSPORT HAS THOSE RESOURCES, HAVING EARNED A NATIONAL REPUTATION FOR SOUND FISCAL MANAGEMENT. IN FACT, WE ENJOY THE BEST BOND RATING OF ANY SIMILAR AGENCY IN THE COUNTRY.

IRONICALLY, THE COMMONWEALTH'S BOND RATING IS NOW THE WORST IN THE NATION, AND MASSACHUSETTS RESIDENTS ARE RIGHTLY CONCERNED WHEN THEY SEE THE FISCAL DIFFICULTIES CONFRONTING THE STATE. SOME WONDER WHY MASSPORT'S REVENUES CAN'T BE USED TO HELP GET THE STATE BUDGET BACK IN THE BLACK. THERE IS A SIMPLE ANSWER FOR THAT LEGITIMATE QUESTION: THE COST OF DOING SO WOULD BE DISASTROUS, NOT ONLY FOR US BUT FOR GENERATIONS TO COME.

SIPHONING MASSPORT'S REVENUES FOR SHORT-TERM MINOR RELIEF WOULD DIMINISH OUR ABILITY TO RAISE CAPITAL. WITHOUT READY ACCESS TO CAPITAL, MASSPORT'S LONG-TERM INVESTMENT PLANS SIMPLY WILL NOT COME TO FRUITION — AND ULTIMATELY THE ECONOMY WE HELP TO SUPPORT WILL PAY THE PRICE IN TRAVEL AND SHIPPING DELAYS AND LOST BUSINESS OPPORTUNITIES.

The fact is that Massport generates huge economic benefits for Boston, for Massachusetts, and for the entire New England economy: Nearly five billion dollars worth of direct and indirect benefits in fiscal year 1990 alone. New England can't afford any less.

Massport was created as an independent authority because, even in 1956, the legislature recognized that basic transportation infrastructure is an absolute prerequisite to a healthy regional economy. As we see it, our job is to make sure that Boston is a good place to do business both in terms of convenience and cost. When European shippers are deciding which east coast port to use, we want them to recognize that Boston is not only the closest major U.S. port to Europe— a day closer than New York— but that Boston has the terminals they need at the price they're looking for. When fish processors need a place to do business, including access to processing facilities, Massport provides it. When people fly out of Logan, Massport's job is to make sure they can get to the airport, check in, and be on their way as safely, quickly and conveniently as possible.

In this year's annual report we give you "Massport by the Numbers": the facts, plain and simple, about what Massport does for the people of New England now, and the plans we must carry out in order to assure your safety, convenience, and prosperity in the future.

David W. Davis

David W. Davis, Executive Director

Logan Airport

THE NUMBERS

2,400	Acres
7	Miles of runways
14	Miles of taxiways
5	Passenger terminals
10th	Busiest airport in U.S.
14th	Busiest airport in the world
15	U.S. jet carriers
14	Commuter carriers
16	Non-U.S. flag carriers
9	All-cargo carriers

SCOPE OF OPERATIONS

22.7M	Arriving and departing passengers per year
85%	Domestic passengers
15%	International passengers
407,000	Takeoffs and landings per year
1,115	Flights per day
70	Flights per hour
764.0M	Pounds air cargo and mail shipped

JOBS

512	Massport employees at Logan
15,238	Non-Massport employees at Logan
$751M	Total payroll

ECONOMIC BENEFITS GENERATED

$3.4B	Total Logan economic benefit to regional economy per year
$9.3M	Economic benefit to regional economy per day
$1.4B	Visitor expenditures per year

MASSPORT CAPITAL INVESTMENT IN LOGAN

$641M	Total Massport investment in Logan since 1959
$59M	Federal Grants
$56M	Massport investment in Logan in FY90
$1.5B	Logan ten-year capital investment agenda

What the Numbers Mean.

THE NUMBERS MAKE CLEAR THAT LOGAN AIRPORT IS A MAJOR CONTRIBUTOR TO THE NEW ENGLAND ECONOMY. THE TWENTY-THREE MILLION PEOPLE WHO FLEW IN AND OUT OF LOGAN PUMPED A TOTAL OF $3.4 BILLION INTO OUR REGIONAL ECONOMY— FOR AN AVERAGE OF $9.3 MILLION EVERY DAY.

HOW DID THEY DO IT? THE DIRECT ECONOMIC IMPACT OF LOGAN PASSENGERS BEGAN WITH THE 15,750 PEOPLE EMPLOYED AT THE MORE THAN 100 BUSINESSES PROVIDING SUPPORT SERVICES AT LOGAN— IN THE FORM OF LUGGAGE CARRIED, FREIGHT HANDLED, MEALS PACKAGED, AND AIRCRAFT SERVICED— WHOSE COMBINED PAYCHECKS AMOUNTED TO MORE THAN $751 MILLION.

TRAVELERS TO AND FROM THE AIRPORT SPENT ALMOST $10 MILLION IN TUNNEL TOLLS, $2.1 MILLION IN MBTA FARES, AND $25.6 MILLION IN TAXI FARES. TRUCKING COMPANIES BRINGING CARGO TO AND FROM THE AIRPORT EARNED $54 MILLION.

AND THOSE VISITORS COMING INTO NEW ENGLAND THROUGH THE LOGAN GATEWAY WENT ON TO SPEND SOME $1.4 BILLION DURING THEIR STAYS HERE.

Massport's Mission: To Meet the Needs of the Air Traveler.

Logan Airport is a huge operation, moving millions of passengers and tons of cargo to and from destinations around the world. But each one of us knows what it's like to be one of those 23 million passengers. And each one of us has a picture of what the ideal "Logan experience" should be: a hassle-free trip to the airport, no matter what the hour of the day; convenient, courteous check-in; a short wait in pleasant surroundings; on-time take-off; and of course, the absolute assurance of safety and security.

Massport's job is to strive to make that ideal picture become a reality. Everything Massport does at Logan— from the selection of a seafood takeout concession to the most complex, long-term planning of roadway and terminal configurations— is designed to meet the simple, basic needs of the people who use Logan every day.

FY 90 Accomplishments.

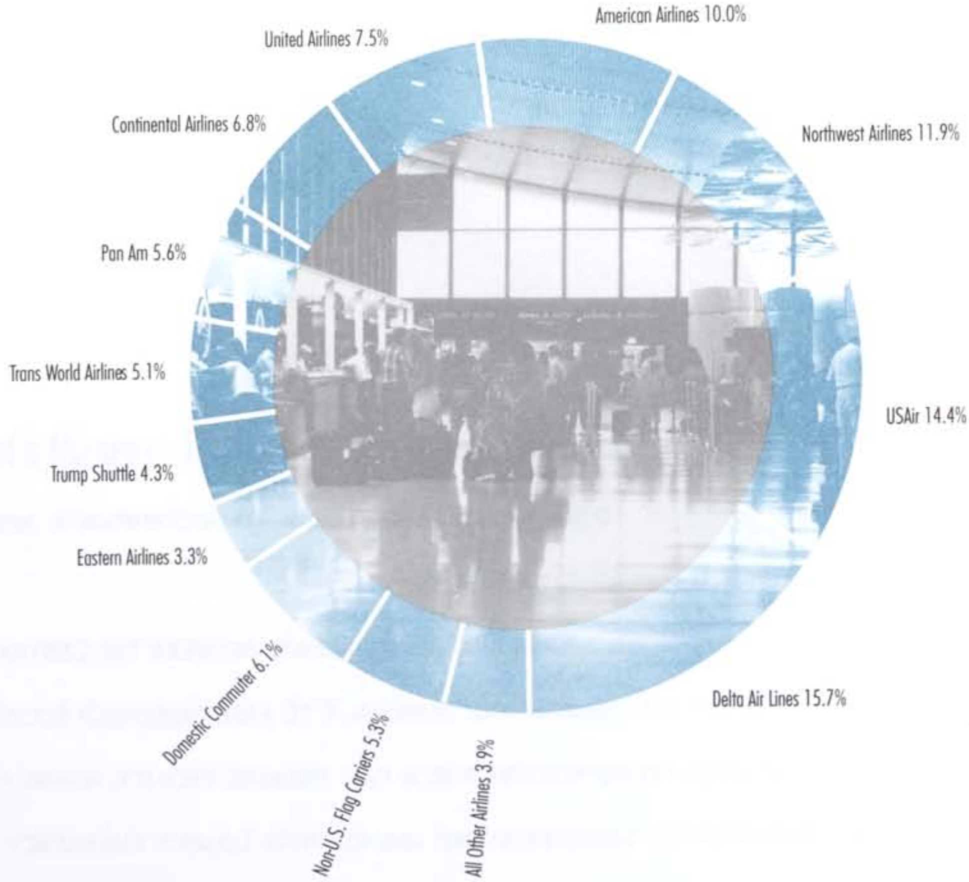
In the past year, meeting the needs of the air traveler meant, among other things:

> Committing over $12 million to ground transportation initiatives, including relocating The Logan Express park and ride service from Quincy to Braintree and building new

dock facilities at Logan to accommodate more water shuttle service;

> Building an overhead walkway between the Central Parking Garage and Terminal E to ease passenger access;
> Constructing a new fire training facility, hiring additional fire fighters, and refining Logan's emergency response procedures;
> Implementing a stricter passenger security screening system in the terminals;
> Sending out a team of public service representatives to walk the terminal corridors and seek out passengers in need;
> Arming the traveling public with some 45,000 copies of the New England Air Travelers' Bill of Rights;
> Distributing When Kids Fly, a consumer publication full of useful tips on air travel with children;
> Awarding food concessions that offer the best of New England cuisine at reasonable prices;
> Setting up a business service center on the upper level of Terminal C with a complete range of high-tech amenities for business travelers;
> Developing a Kidport in the same terminal with an aviation-

FY90 Logan Airport Air Carriers' Market Share



INSPIRED PLAYSPACE TO MEET THE NEEDS OF HIGH-ENERGY JUVENILE TRAVELERS; AND

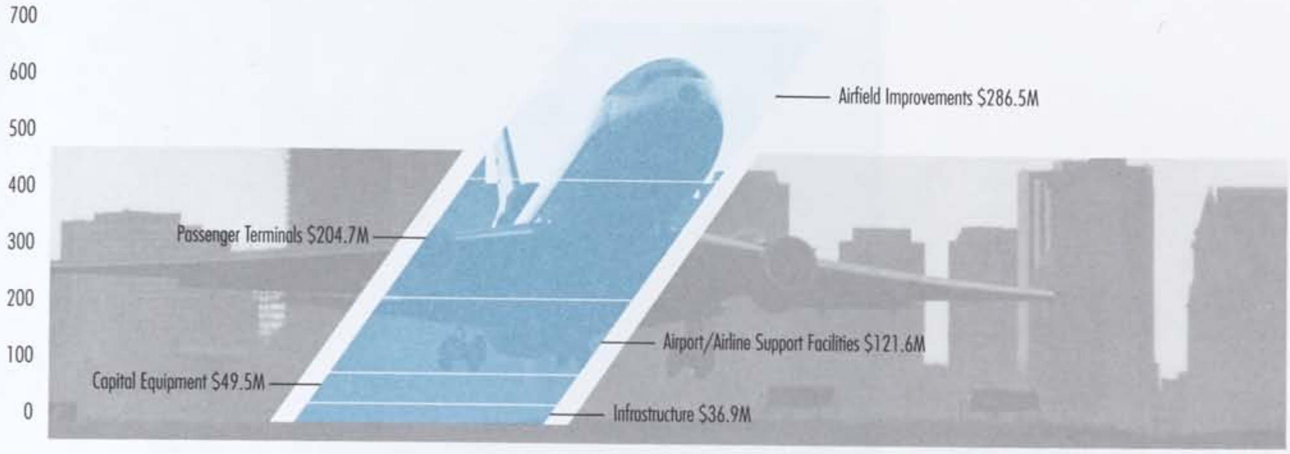
> LISTENING TO WHAT AIR TRAVELERS WANT — BY SETTING UP SUGGESTION BOXES IN ALL OF THE TERMINALS AND RESPONDING TO MORE THAN 2,000 COMMENT CARDS.

The Logan Airport Modernization Project [LAMP]: Strategy for the Future.

8

MASSPORT HAS A CLEAR AGENDA OF WHAT MUST BE DONE AT LOGAN AIRPORT IN THE NEXT TWO DECADES IN ORDER TO CONTINUE TO SERVE THE NEEDS OF NEW ENGLAND — A STEP-BY-STEP PLAN OF KEY CAPITAL INVESTMENTS CALLED LAMP.

Investment In Logan Airport (FY59 through FY90 $ in Millions)



Total Investment: $699.2 Million (Includes Federal Grants)

ALTHOUGH PASSENGER TRAFFIC AND CARGO TRAFFIC AT LOGAN HAVE BEEN INCREASING STEADILY, AND WILL CONTINUE TO DO SO, LOGAN HAS NO ROOM TO EXPAND ITS AIRFIELD. IN ORDER TO EXPAND LOGAN'S CAPACITY WITHOUT EXPANDING GEOGRAPHICALLY, MASSPORT HAS TO COME UP WITH SOME INGENIOUS WAYS TO MAXIMIZE EFFICIENCY.

THE LAMP PROGRAM, UNVEILED IN FY90, IS A SERIES OF LINKED IMPROVEMENTS TO LOGAN FACILITIES — INCLUDING NEW CARGO BUILDINGS AND IMPROVEMENTS TO LOGAN'S ROADWAY SYSTEM AND TERMINALS — CAREFULLY DESIGNED TO MEET THE NEEDS OF THE FUTURE.

Competing in the Global Marketplace.

LAST MARCH, CONSTRUCTION BEGAN ON THE FIRST OF FIVE NEW AIR CARGO BUILDINGS NEEDED TO HANDLE THE INCREASE IN AIR FREIGHT PROJECTED FOR THE 1990S. THE NEW CARGO BUILDINGS WILL PROVIDE AIR FREIGHT COMPANIES WITH AN ADDITIONAL 289,000 SQUARE FEET OF OFFICIAL CARGO HANDLING SPACE.

Implementing Sound Ideas.

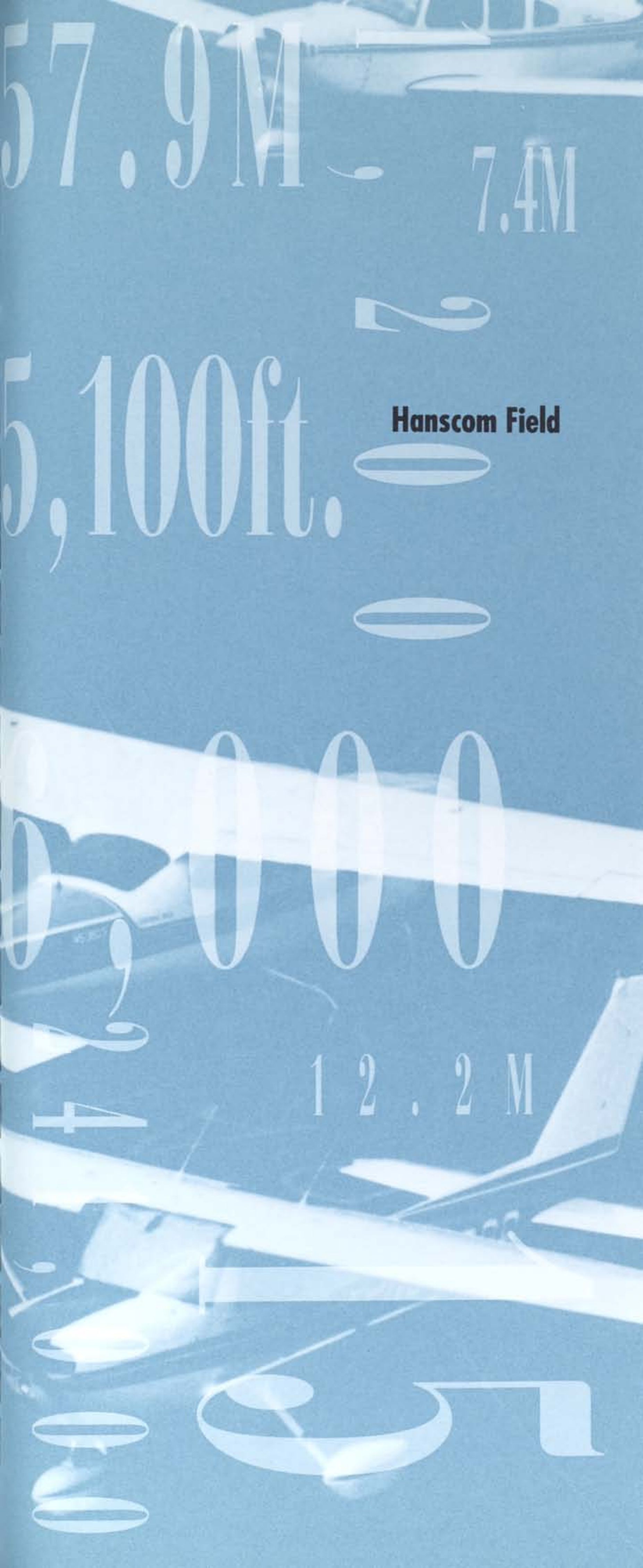
THE INSTALLATION OF A NEW AIRPORT NOISE MONITORING SYSTEM IS UNDER WAY WITH A MASSPORT INVESTMENT OF NEARLY $2 MILLION TO ENSURE A SYSTEM TAILOR-MADE FOR THE NOISE PROBLEMS THAT EXIST AROUND ITS AIRPORTS. A NETWORK OF 36 REMOTE MICROPHONES, 29 AROUND LOGAN AND SEVEN AROUND HANSCOM FIELD, WILL MEASURE NOISE FROM OVERFLIGHTS AS WELL AS OTHER AIRPORT OPERATIONS. THE DATA WILL BE RELAYED TO CENTRAL COMPUTERS AT LOGAN AND HANSCOM FOR ANALYSIS.

SOUND INSULATION OF HOMES AND SCHOOLS CONTINUES. IN EAST BOSTON AND WINTHROP, 421 DWELLING UNITS HAVE BEEN TREATED, WHILE 27 SCHOOLS IN BOSTON, CHELSEA, REVERE, AND WINTHROP HAVE BEEN COMPLETED.

Share of Logan Flights Conducted in Stage 3 Aircraft *

*Stage 3 aircraft are the quietest aircraft in operation at Logan Airport. The noise rules took effect in July, 1986.

Hanscom Field



THE NUMBERS

15	MILES NORTHWEST OF BOSTON IN BEDFORD, MA
1,200	ACRES OF AIRPORT FACILITIES
5,100	FT. RUNWAY
7,000	FT. RUNWAY
500	TIE DOWNS
100	T HANGARS

SCOPE OF OPERATIONS

241,000	TAKEOFFS AND LANDINGS PER YEAR [OVER HALF BY SINGLE-ENGINE AIRCRAFT]
6,000	ARRIVING AND DEPARTING PASSENGERS PER YEAR [VIA CHARTER, AIR TAXI, AND COMMUTER FLIGHTS]

JOBS

20	MASSPORT EMPLOYEES AT HANSCOM
379	NON-MASSPORT EMPLOYEES AT HANSCOM
$12.7M	TOTAL PAYROLL

ECONOMIC BENEFITS GENERATED

$57.9M	TOTAL HANSCOM ECONOMIC BENEFIT TO REGIONAL ECONOMY
$12.2M	INCOME TO PRIVATE COMPANIES LOCATED AT HANSCOM

MASSPORT CAPITAL INVESTMENT

$21.5M	TOTAL MASSPORT INVESTMENT IN HANSCOM SINCE 1959
$7.4M	FEDERAL GRANTS
$1.6M	MASSPORT INVESTMENT IN HANSCOM IN FY90
$19.0M	HANSCOM TEN-YEAR CAPITAL INVESTMENT AGENDA

What the Numbers Mean.

The numbers show that Hanscom Field is New England's busiest general aviation airport, serving the specialized flying needs of the region's high technology corporations, research and development firms, and recreational flyers. In fact, Hanscom's convenient access to Route 128 makes it a critical factor in the location decisions of businesses that rely on general aviation.

FY 90 Accomplishments.

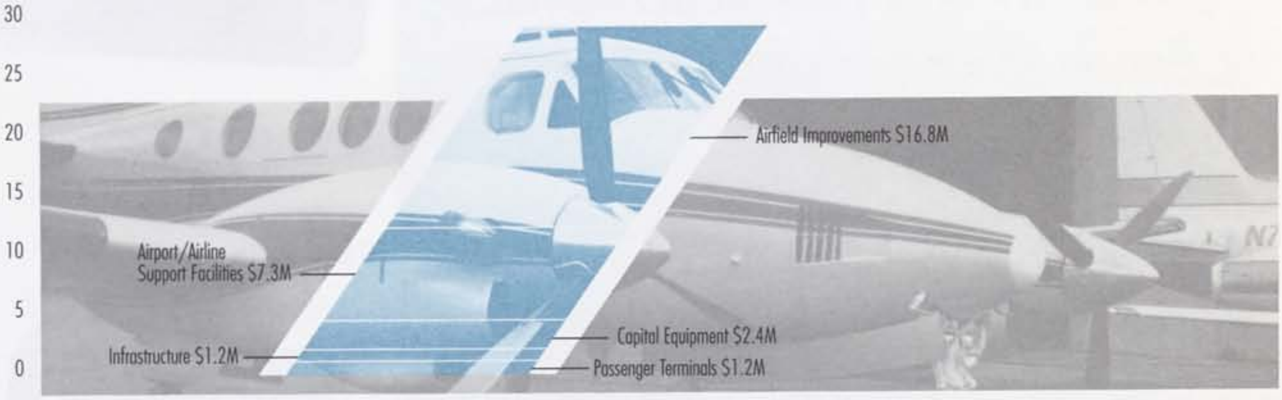
> In cooperation with community groups from surrounding towns, Hanscom Field began a two-year study sponsored by the Federal Aviation Administration (FAA) to identify and evaluate alternative ways of controlling and mitigating noise, and to identify appropriate land uses at Hanscom.

> FY90 saw the completion of a rehabilitation and landscaping project at Hanscom's Civil Air Terminal, as well as the initiation of a water and sewerage system study.

> As part of the Authority-wide goal of environmental responsibility, in FY90 Massport completed thorough audits of Hanscom tenants' facilities to ensure that all fuel tanks were being properly used and hazardous wastes properly disposed.

> 1,950,000 square feet of concrete pavement repairs— including taxiways, ramps, and Hanscom's primary instrument runway— were begun in FY90.

Investment In Hanscom Field (FY59 through FY90 $ in Millions)



Total Investment: $28.9Million (Includes Federal Grants)

Tobin Bridge

THE NUMBERS

2.4	MILES [TWICE AS LONG AS THE BROOKLYN BRIDGE]
3	LANES PER LEVEL, DOUBLE-DECK SPAN
10TH	BUSIEST TOLL BRIDGE IN U.S., LOWEST TOLL OF THOSE TEN BRIDGES
1950	OPENED TO TRAFFIC
1959	ACQUIRED BY MASSPORT

SCOPE OF OPERATIONS

24.3M	TOTAL VEHICLE CROSSINGS PER YEAR
11,427,785	VEHICLE CROSSINGS [SOUTHBOUND ONLY] PER YEAR
3,683,744	COMMUTERS
6,527,496	NON-COMMUTERS
1,216,545	TRUCKS
66,962	VEHICLES-AVERAGE WEEKDAY TWO-WAY TRAFFIC

JOBS

52	MASSPORT EMPLOYEES
$2.9M	TOTAL PAYROLL

ECONOMIC BENEFITS GENERATED

$11.7M	TOTAL TOBIN BRIDGE ECONOMIC BENEFITS
$6.6M	LOCAL GOODS AND SERVICES PURCHASED [INCLUDING SUPPLIES, UTILITIES, REPAIRS, CONSTRUCTION, AND EQUIPMENT]

MASSPORT CAPITAL INVESTMENT

$76.2M	TOTAL MASSPORT INVESTMENT IN THE TOBIN BRIDGE SINCE 1959
$6.0M	MASSPORT INVESTMENT IN TOBIN BRIDGE IN FY90
$76.0M	TOBIN BRIDGE TEN-YEAR CAPITAL INVESTMENT AGENDA

What the Numbers Mean.

THE TOBIN BRIDGE IS BOSTON'S LINK WITH ALL POINTS NORTH: CHELSEA AND REVERE, THE NORTH SHORE, AND NORTHERN NEW ENGLAND AND BEYOND. EVERY DAY, THERE ARE MORE THAN 65,000 TRIPS ON THAT LINK: COMMUTERS DRIVING INTO THE CITY, TRUCKERS HAULING LOADS INTO AND OUT OF BOSTON, TOURISTS EXPLORING THE HISTORIC NORTH SHORE.

IN FEBRUARY OF 1990, THE TOBIN BRIDGE REACHED ITS FORTIETH BIRTHDAY— AN OCCASION NOT JUST FOR CELEBRATION, BUT FOR UNDERSCORING THE NEED FOR MAJOR INVESTMENT IN BRIDGE INFRASTRUCTURE. ACCORDINGLY, MASSPORT HAS LAUNCHED A COMPREHENSIVE, TEN-YEAR BRIDGE REHABILITATION PROGRAM, WITH THREE MAJOR INITIATIVES:

> REDECKING OF THE ENTIRE BRIDGE ROAD SURFACE [COST: $47 MILLION];

> COMPLETE REPAINTING [COST: $12.4 MILLION]; AND

> RECONSTRUCTION OF THE TOLL PLAZA AND INSTALLATION OF NEW TOLL-RECORDING EQUIPMENT [COST: $4.4 MILLION].

Redecking Project: Investing in Infrastructure.

LAST REDECKED MORE THAN FIFTEEN YEARS AGO, THE BRIDGE SURFACE IS AT THE END OF ITS PROJECTED DESIGN LIFE. OVER THE NEXT TEN YEARS, THE BRIDGE'S ENTIRE ROADWAY SURFACE WILL BE REPLACED AT A TOTAL COST OF $47 MILLION. THE PROJECT INVOLVES REMOVING THE OLD PAVEMENT AND SUPPORTING GRID, AND REPLACING IT WITH A NEW CONCRETE SUBSTRUCTURE AND A NEW WEARING SURFACE.

THE PROJECT HAS BEEN UNDERTAKEN IN PHASES, BOTH TO MINIMIZE DISRUPTION OF BRIDGE TRAFFIC AND TO SPREAD THE COST OVER A NUMBER OF YEARS.

PHASE I OF THE CURRENT REDECKING PROGRAM — 1,100 LINEAR FEET OF ROAD SURFACE ON THE UPPER LEVEL AT THE CHARLESTOWN END OF THE BRIDGE, WHERE THE SURFACE HAD SUFFERED THE MOST DETERIORATION — RAN FROM AUGUST, 1988, TO MAY, 1989, AT A COST OF $1.9 MILLION. PHASE II — ANOTHER 3,000 LINEAR FEET OF THE UPPER LEVEL — BEGAN IN OCTOBER, 1989, AND IS EXPECTED TO BE COMPLETED IN JANUARY, 1991.

Investment In Tobin Bridge (FY59 through FY90 $ in Millions)

Total Investment: $76.2Million

Tobin Bridge Traffic Projections - Average Weekday One-Way Traffic (In Thousands of Vehicles)*

* Through FY93, The Tobin Bridge's traffic volume will continue to be adversely impacted by the Central Artery North Area (CANA) project. After CANA is completed in FY93, traffic volume will grow steadily. The projections assume a slight decrease in traffic volume when the Central Artery/Third Harbor Tunnel (CA/THT) opens in mid FY98. Thereafter, traffic is projected to grow at a moderate rate.

FY 90 Accomplishments.

> MASSPORT COMPLETED THE FINAL PHASE OF A TWO-YEAR, $2.06 MILLION UPGRADE OF THE TOBIN'S FIRE PROTECTION SYSTEM. THE ENTIRE LENGTH OF THE BRIDGE IS NOW PROTECTED BY A HYDRANT SYSTEM CAPABLE OF PUMPING WATER DIRECTLY UP TO THE BRIDGE FROM THE GROUND LEVEL.

> Having completed a $788,000 lead soil removal project in Chelsea, a similar Massport effort is now under way in Charlestown. The $763,000 project involves the removal of the top six inches of contaminated soil on Massport-owned property and that of homeowners within a 100-foot radius of the Bridge, and replacing it with clean soil.

> As part of the program, Massport worked with the Charlestown Neighborhood Council to undertake a beautification project of Massport-owned property — including sidewalk installation, fencing, and landscaping — in the area of Charlestown directly below the Tobin Bridge.

> In a project scheduled to run from April through November, 1991, portions of the Bridge that abut the Charlestown neighborhood will be painted at a cost of $1.5 million.

Seaport

THE NUMBERS

MORAN TERMINAL/CHARLESTOWN

50	Acres of storage
1,100	Ft. berth
1	70-ton crane
1	40-ton crane
48,000	Containers [general cargo]
$56M	Total Massport capital investment

CONLEY TERMINAL/SOUTH BOSTON

100	Acres of storage
4,255	Ft. berth
2	40-ton cranes
34,000	Containers [general cargo]
33,000	Automobiles
$46M	Total Massport capital investment

MYSTIC PIER

246,000	Sq. ft.
$9M	Total Massport capital investment

HARBOR GATEWAY TERMINAL/SOUTH BOSTON

Massport Marine Terminal

40	Acres
38,000	Automobiles
$25M	Total Massport capital investment

Army Base/South Boston

1M	Sq. ft.
4,200	Ft. berth
194,000	Tons cement
6,700	Tons lumber
$6M	Total Massport capital investment

Black Falcon Cruise Terminal

3,555	Passengers
10	Cruise ships
$7M	Total Massport capital investment

FISH PIER

143,000	Sq. ft. of fish processing space
80,000	Sq. ft. of commercial office space
32M	Lbs. of fish processed
16M	Lbs. of fish landed
$29M	Total Massport capital investment
9M	Federal Grants

WORLD TRADE CENTER

850,000	Sq. ft. office space and market center
$11M	Total Massport capital investment

CONSTITUTION PLAZA

160,000	Sq. ft. office, restaurant, and marine complex
$4M	Total Massport capital investment

EAST BOSTON SHIPYARD

18.6	Acres maritime industrial space
$13M	Total Massport capital investment

EAST BOSTON PIERS

56	Acres
$7M	Total Massport capital investment

REVERE SUGAR TERMINAL

18	Acres
$7M	Total Massport capital investment

TOTAL MASSPORT MARITIME TERMINALS SCOPE OF OPERATIONS/FY90

1M	Tons: total cargo handled by Massport's marine terminals
71,000	Automobiles
$3,339	Value of cargo per ton [more than twice the national average]
$4B	Total value of cargo handled

JOBS

95	Massport port-related employees
35	Massport real estate & development employees
5,985	Directly employed by the Port [non-Massport] [stevedores, truckers, brokers, longshoremen, etc.]
1,458	Development-related employees [non-Massport]
$232.3M	Total combined payroll

ECONOMIC BENEFITS GENERATED

$1.0B	Economic benefit generated by Massport's working waterfront facilities per year
$2.8M	Economic benefit generated by facilities per day
$322.8M	Economic benefit generated by Massport's waterfront property developments per year
$1.3B	Total economic benefit generated by Massport's port properties

MASSPORT CAPITAL INVESTMENT: SEAPORT

$156.6M	Total Massport investment in the port since 1959
$3.7M	FY90 Massport investment in the port
$130M	Port properties ten-year capital investment agenda*

MASSPORT CAPITAL INVESTMENT: DEVELOPMENT PROPERTIES

$74.5M	Massport investment since 1959
$11.2M	Federal grants
$2.4M	FY90 Massport investment in real estate and development facilities

*Includes real estate and development facilities.

What the Numbers Mean.

THE NUMBERS LEAVE NO DOUBT THAT THE PORT OF BOSTON IS A THRIVING, WORLD-CLASS SEAPORT. ALTHOUGH MANY MASSACHUSETTS RESIDENTS ARE LARGELY UNAWARE OF THE WORKING PORT OF BOSTON, MORAN TERMINAL [LOCATED BENEATH THE TOBIN BRIDGE IN CHARLESTOWN] IS IN FACT THE BUSIEST CONTAINER TERMINAL IN NEW ENGLAND. MORAN HANDLED SOME 48,000 CONTAINERS IN FY90 ALONE, WHILE AT CONLEY AND MASSPORT MARINE TERMINALS, LOCATED BEYOND FORT POINT CHANNEL IN SOUTH BOSTON, SOME 71,000 AUTOMOBILES WERE UNLOADED FOR DESTINATIONS IN NEW ENGLAND AND BEYOND.

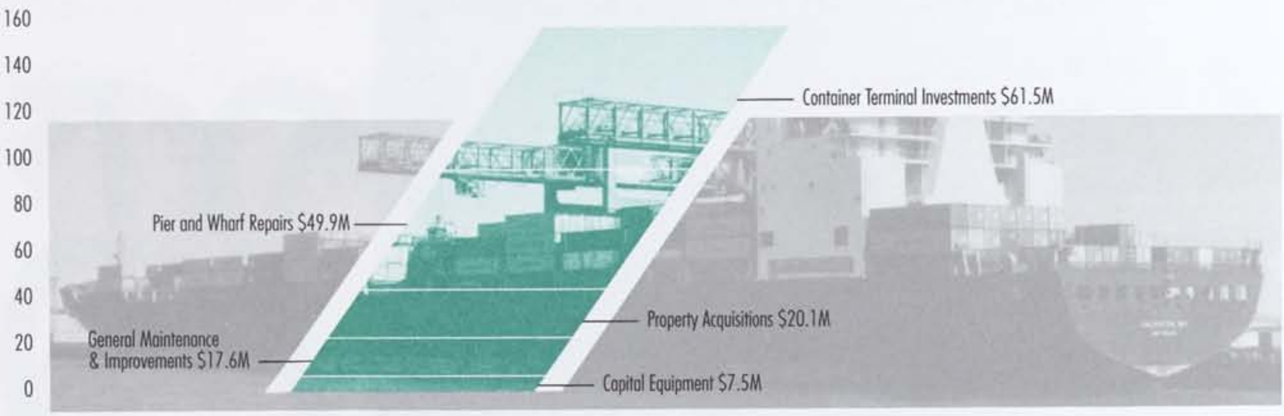
THE SEAPORT STIMULATES THE REGIONAL ECONOMY IN A VARIETY OF WAYS:

JOBS: THE SEAPORT DIRECTLY EMPLOYS OVER 6,000 PEOPLE, WHOSE YEARLY PAYCHECKS TOTAL SOME $174.8 MILLION, NOT TO MENTION THE $88 MILLION WORTH OF JOBS CREATED IN SUPPORT OF PORT ACTIVITIES, OR THE $262 MILLION WORTH OF LOCAL GOODS AND SERVICES PURCHASED BY PORT USERS, HANDLERS, AND TRANSPORTERS.

ACCESS TO WORLD MARKETS: HAVING AN INTERNATIONAL PORT IN BOSTON PROVIDES LOCAL COMPANIES ACCESS TO THE ENTIRE GLOBAL MARKETPLACE FOR THEIR PRODUCTS. MASSPORT'S TRADE DEVELOPMENT UNIT PROVIDES EXPORT SERVICES TO SMALL AND MEDIUM-SIZED NEW ENGLAND COMPANIES, REACHING SOME 50 NEW COMPANIES EACH MONTH. IN SUPPORT OF THE STATE'S "EXPORT 90'S" EFFORT TO DOUBLE EXPORTS IN THE NEXT FIVE YEARS, MASSPORT HELPS COMPANIES DEVELOP EXPORT STRATEGIES, AND PROMOTES NEW ENGLAND COMPANIES AT INTERNATIONAL TRADE SHOWS.

LOWER SHIPPING COSTS FOR ALL: THE PRESENCE OF A MAJOR CONTAINER PORT IN BOSTON MEANS THAT ANY OTHER PORT OPERATOR, OCEAN CARRIER, OR OVERLAND TRANSPORTATION SERVICE MUST BEAT

Investment In Port Facilities- Maritime Properties (FY59 through FY90 $ in Millions)



Total Investment: $156.6Million

THE COST OF DIRECT, RELATIVELY LOW-COST OCEAN SERVICE TO BOSTON. SIMPLY BECAUSE THE SEAPORT EXISTS, A "BOSTON BILL OF LADING" MEANS LOWER TRANSPORTATION COSTS— WHETHER GOODS ARE SHIPPED BY SEA OR OTHERWISE— FOR ALL BUSINESSES WITHIN THE PORT'S SERVICE AREA.

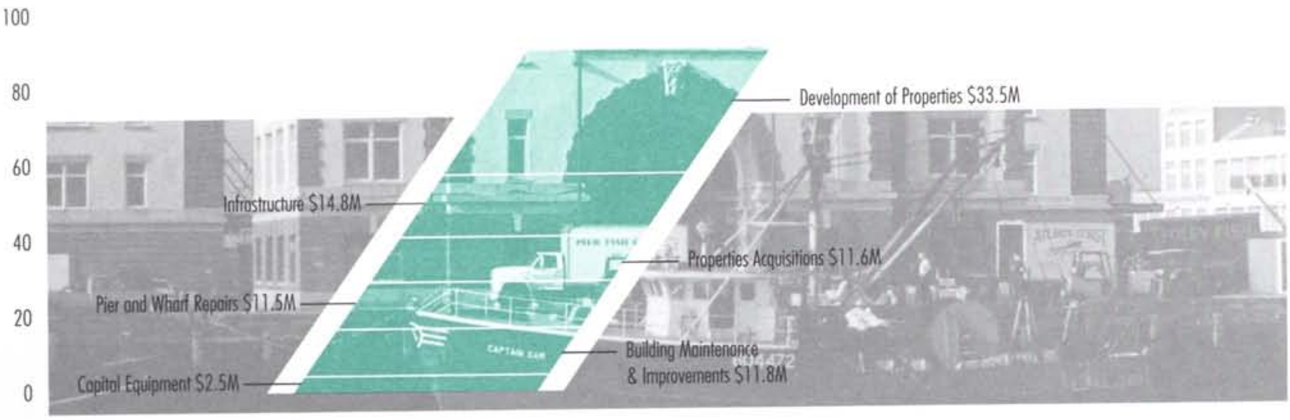
Massport Seaport Strategy: The Past Decade.

TEN YEARS AGO, MASSPORT'S OVERALL SEAPORT STRATEGY WAS GUIDED BY TWO MAJOR OBJECTIVES:

> TO BUILD A STRONG, WORLD-CLASS PORT. TEN YEARS AND $157 MILLION OF CAPITAL INVESTMENT LATER, MASSPORT HAS REALIZED THE GOAL OF DEVELOPING THE MAJOR PUBLIC CARGO TERMINALS INTO STATE-OF-THE-ART FACILITIES.

> TO REVIVE MORIBUND WATERFRONT PROPERTIES NO LONGER SUITABLE FOR MARITIME USES, AND TO ESTABLISH REVENUE STREAMS FROM THE LEASE OF THOSE PROPERTIES WHICH WOULD BE USED TO CROSS-SUBSIDIZE THE WORKING WATERFRONT. TEN YEARS AND $86 MILLION OF INVESTMENT LATER, MASSPORT'S MISSION HAS BEEN LARGELY ACCOMPLISHED. PROPERTIES HAVE BEEN REHABILITATED, REVENUE STREAMS HAVE BEEN ESTABLISHED, AND WA-

Investment In Port Facilities- Development Properties (FY59 through FY90 $ in Millions)



Total Investment: $85.7Million (Includes Federal Grants)

TERFRONT REAL ESTATE WHICH MIGHT HAVE BEEN USED UP BY DEVELOPERS HAS BEEN PRESERVED FOR THE PRESENT AND FUTURE NEEDS OF BOSTON'S COMMERCIAL SEAPORT.

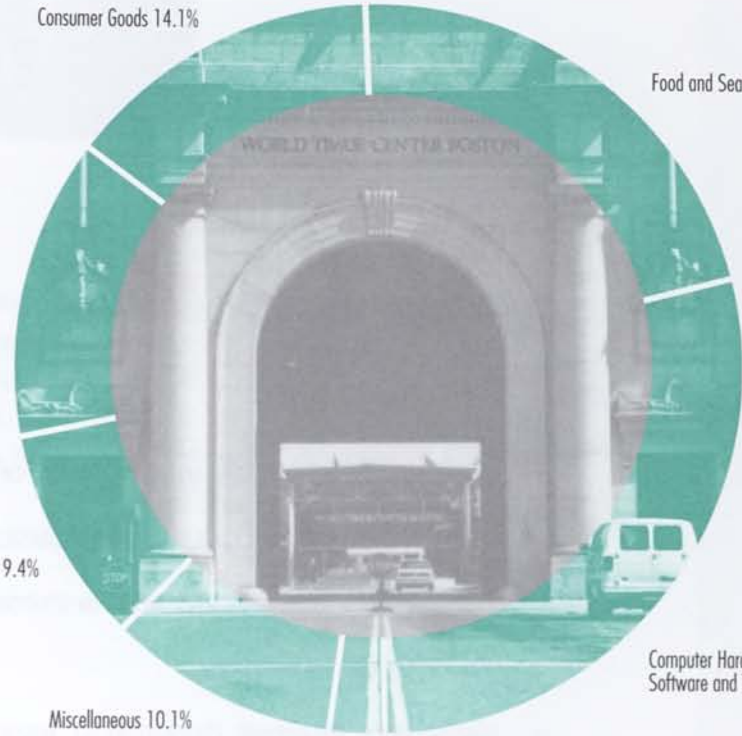
TODAY THE WORLD TRADE CENTER NOT ONLY PROVIDES JOBS FOR THE COMMUNITY AND REVENUE FOR THE WATERFRONT, BUT FUNCTIONS AS A CENTER FOR THE PROMOTION AND FACILITATION OF INTERNATIONAL TRADE.

THE FISH PIER IS A PERMANENT, SUBSIDIZED HOME FOR BOSTON'S FISHING INDUSTRY, ANNUALLY PROCESSING SOME 32 MILLION POUNDS OF FISH, 16 MILLION POUNDS DIRECTLY FROM LOCAL FISHING BOATS. AND AT THE FORMER BOSTON SHIPYARD, THE BOSTON MARINE WORKS IS THRIVING, PROVIDING LOCAL SHIP REPAIR AS WELL AS NEW, PERMANENT JOBS.

Seaport Strategy: From Here to the Year 2000.

IN FY90, MASSPORT ANNOUNCED A NEW SEAPORT STRATEGY DESIGNED TO TAKE THE PORT OF BOSTON FROM HERE TO THE YEAR 2000. THE STRATEGY IS CONSISTENT WITH THE GOALS THAT HAVE GUIDED SEAPORT DEVELOPMENT IN THE PAST DECADE, BUT REFLECTS BOTH THE ACHIEVEMENTS OF THE PAST AND THE REQUIREMENTS OF THE FUTURE.

Trade Development Clients By Industry



MAKING THE MOST OF 1992: MASSPORT'S SEAPORT STRATEGY IS DESIGNED TO ENSURE THAT BOSTON IS PREPARED TO MAKE THE MOST OF 1992, ESPECIALLY WITH THE REUNIFICATION OF GERMANY AND CHANGES THROUGHOUT EASTERN EUROPE, AS WELL AS THE STAGGERING $4 TRILLION EEC MARKET THAT WILL OPEN UP AT THAT TIME. THE SEAPORT STRATEGY IS SHAPED BY SEVEN CRITICAL ROLES IT WILL PLAY IN THE PORT IN THE COMING DECADE:

> DEVELOPER OF TERMINALS;
> PORT ADVOCATE AND PLANNER;
> PRESERVER OF PORT OPTIONS;
> PROMOTER OF WATER-DEPENDENT USES;
> IMPROVER OF PORT ACCESS;
> REDEVELOPER OF OBSOLETE PROPERTIES; AND
> PROVIDER OF PUBLIC ACCESS TO THE WATERFRONT.

FY 90 Accomplishments.

- > THE PUBLIC TERMINALS IN THE PORT OF BOSTON TOPPED ONE MILLION TONS OF CONTAINERIZED CARGO. THIS INCREASE REPRESENTED A 6.3 PERCENT RISE IN EXPORTS AND A 1.1 PERCENT INCREASE IN IMPORTS.
- > MASSPORT'S MARITIME DEPARTMENT MADE A SYMBOLIC AND SUBSTANTIVE STATEMENT OF COMMITMENT TO THE WATERFRONT, WITH A MOVE TO NEW OFFICES AT THE REHABILITATED BOSTON FISH PIER.
- > MASSPORT INSTALLED A $875,000 COMPUTERIZATION PROGRAM AT MORAN TERMINAL, DESIGNED TO GUIDE THE MOVEMENT OF CONTAINERS WITHIN THE YARD, THEREBY SPEEDING UP PROCESSING TIME.
- > AS AN ADD-ON TO BOSTON'S NORTHERN EUROPEAN SERVICE, MASSPORT'S GUARANTEE OF 48-HOUR TURNAROUND TO THE MIDWEST OFFERS IMPORTANT TIME-SAVINGS TO CONSIGNEES, AND POSITIONS THE PORT OF BOSTON AS A GATEWAY TO U.S. MARKETS FOR CENTRAL EUROPE AND EC 1992.

Massport Board Members

RICHARD A. GIESSER, CHAIRMAN, IS A FINANCIAL AND MANAGEMENT CONSULTANT. TERM EXPIRES 1995.

MIGUEL A. SATUT, VICE CHAIRMAN, IS PRESIDENT OF ASSOCIATED GRANTMAKERS OF MASSACHUSETTS, A BOSTON-BASED NONPROFIT ORGANIZATION OF CORPORATIONS AND FOUNDATIONS INVOLVED IN PHILANTHROPIC PROJECTS IN MASSACHUSETTS. TERM EXPIRED 1990.

PAUL F. NACE, JR. IS A REAL ESTATE DEVELOPER AND CONSULTANT IN BOSTON. TERM EXPIRES 1991.

John A. Vitagliano is tunnel superintendent for the Massachusetts Turnpike Authority. Term expires 1992.

Charles M. Raso is the business manager of the Bricklayers and Allied Craftsmen Union, Local #3, in Boston. Term expires 1993.

Jacquelyn R. Smith is the financial manager of Bicknell & Smith, a law firm in Cambridge, Massachusetts. Term expires 1994.

Carolyn P. Partan is an attorney specializing in real estate law and an adjunct professor at Boston College School of Law. Term expires 1996.

Massachusetts Port Authority
Boston, Massachusetts

We have audited the accompanying balance sheets of the Massachusetts Port Authority (the Authority) as of June 30, 1990 and 1989, and the related statements of income and changes in accumulated fund equity and changes in financial position for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and Government Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority at June 30, 1990 and 1989, and the results of its operations and changes in its financial position for the years then ended, in conformity with generally accepted accounting principles.

Coopers + Lybrand

Boston, Massachusetts
September 12, 1990

Balance Sheet

June 30, 1990 and 1989

	1990	1989
	(in thousands)	
Assets		
Cash *(See Note C for restrictions as to use)*	$ 1,193	$ 2,068
Investments *(Note A; see Note C for restrictions as to use)*	251,109	256,672
Accounts receivable, less allowance for doubtful accounts of $2,534,000 in 1990 and $815,000 in 1989	17,970	15,787
Prepayments and other assets *(Notes A and G)*	16,424	24,276
	286,696	298,803
Investments in facilities *(Notes A and D)*:		
Facilities completed:		
Airports	623,333	589,777
Bridge	73,442	70,550
Port	243,900	238,386
	940,675	898,713
Less accumulated depreciation and amortization	(389,390)	(357,093)
	551,285	541,620
Construction in progress	69,953	39,159
Net investment in facilities	621,238	580,779
Total Assets	$907,934	$879,582
Liabilities and Fund Equity		
Liabilities		
Accounts payable and accrued expenses *(Note G)*	$ 32,137	$ 25,991
Accrued pension cost *(Note F)*	4,213	4,614
Accrued interest payable	14,423	16,183
Funded debt *(Note E)*	380,725	385,460
Total Liabilities	431,498	432,248
Deferred Imcome	1,863	1,984
Contingent liabilities and commitments *(Notes H, J and K)*		
Fund Equity *(Notes A, B and C)*		
Accumulated fund equity	407,364	382,722
Contributed capital, grants-in-aid of construction	67,209	62,628
Total Fund Equity	474,573	445,350
Total Liabilities and Fund Equity	$907,934	$879,582

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF INCOME AND CHANGES IN ACCUMULATED FUND EQUITY

FOR THE YEARS ENDED JUNE 30, 1990 AND 1989

	1990	1989
	(in thousands)	
Revenues *(Note B)*:		
Tolls, fees and sales of services	$105,362	$100,806
Rentals *(Note K)*	40,065	41,160
Concessions *(Note K)*	24,847	24,135
Income on investments *(Notes A and B)*	17,072	14,338
Other	4,883	4,764
Total Revenues	192,229	185,203
Expenses *(Note B)*:		
Operations and maintenance	73,558	68,514
Administration	28,756	24,658
Insurance	2,763	2,896
Pension costs *(Note F)*	2,299	2,005
Interest *(Notes A and H)*	24,833	22,949
In lieu of taxes *(Note I)*	6,519	6,440
Depreciation and amortization, including $3,473,000 in 1990 and $3,257,000 in 1989 on assets acquired with contributed capital, grants-in-aid of construction *(Note A)*	32,332	31,780
Total Expenses	171,060	159,242
Net Income	21,169	25,961
Add credit arising from transfer of depreciation to contributed capital	3,473	3,257
Accumulated fund equity, at beginning of year	382,722	353,504
Accumulated Fund Equity, at end of year	$407,364	$382,722

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

STATEMENTS OF CHANGES IN FINANCIAL POSITION

FOR THE YEARS ENDED JUNE 30, 1990 AND 1989

	1990	1989
	(in thousands)	
Funds Provided From:		
Net income	$ 21,169	$ 25,961
Adjustments for noncash transactions:		
Depreciation and amortization	32,332	31,780
Funds provided from operations	53,501	57,741
Contributed capital, grants-in-aid of construction	8,054	6,985
Increase in deferred income and liabilities other than funded debt	3,864	3,955
Issuance of funded debt	0	101,100
Total Funds Provided	65,419	169,781
Funds Applied To:		
Cost of facilities	72,791	53,143
Retirement of funded debt *(Note E)*	4,735	4,455
Increase (decrease) in other assets	(5,669)	6,662
Total Funds Applied	71,857	64,260
Net Increase (Decrease) In Cash And Investments	$ (6,438)	$105,521

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

Notes To Financial Statements

The Massachusetts Port Authority (The Authority) is a public instrumentality created by an act of the Legislature of The Commonwealth of Massachusetts (Enabling Act), effective June 21, 1956. The Authority has no stockholders or equityholders. The provisions of the Enabling Act and the 1978 Trust Agreement (Trust Agreement) with the Authority's bondholders govern the disposition of cash revenues to the various funds established under the Trust Agreement and restrict the use of such revenues credited to the various funds.

A. Summary of Significant Accounting Policies:

Investments in U.S. Government obligations and agencies of the U.S. Government are recorded at amortized cost, which approximates market value including accrued interest. Investments in repurchase agreements are recorded at cost including accrued interest.

Facilities are carried at cost, and include the expenditure of federal grants-in-aid of construction and the cost of significant renewals and betterments. Federal grants-in-aid of construction are recorded as contributed capital as earned and amortized on the straight-line method over the service lives of the related assets. Expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation is provided on the straight-line method based on estimated useful service lives of the related assets beginning in the fiscal year during completion of construction. Depreciation has been computed on facilities which have been recorded in the accounts of the Authority, including those financed by grants for construction.

The Authority capitalizes certain interest associated with the cost of restricted tax-exempt borrowings less any interest earned on temporary investment of the proceeds of those borrowings during the period of construction. Interest expense of $3,982,000 and $3,639,000, reduced by interest income of $3,507,000 and $2,856,000 for the years ended June 30, 1990 and 1989, respectively, has been capitalized as a part of the cost of construction projects with a corresponding reduction of interest expense and income on investments included in the Statements of Income.

The adoption of these practices has no effect upon the disposition of cash revenues of the Authority which is determined in accordance with provisions of the Enabling Act and the Trust Agreement (See Note B).

B. Revenues and Operating Expenses as Determined by Accounting Practices Prescribed by the Trust Agreement:

The provisions of the Enabling Act and the Trust Agreement with the Authority's bondholders prescribe certain accounting practices to be followed in maintaining the accounts and records of the Authority.

Under the Trust Agreement, monthly cash revenues of the Authority, after providing for required debt service costs on the Revenue Refunding Bonds, Series 1978, from pledged revenues, are transferred to the Operating Fund. After providing for operating expenses, including pension expense and transfers to the self-insurance account, cash revenues are then transferred to the Interest and Sinking Fund (which are applied to debt service on any outstanding bonds other than the Revenue Refunding Bonds, Series 1978), the Maintenance Reserve Fund, the Payment in Lieu of Taxes Fund, and the Improvement and Extension Fund. Cash and investments held in the Improvement and Extension Fund, to the extent designated by the Authority, are transferred to the Capital Budget Account.

Under the provision of the Trust Agreement, all revenues derived from operation of the Tobin Memorial Bridge, all aircraft landing fees and motor vehicle parking fees derived from the operations of the airport properties, and all income from investments held in all funds with the exception of the Construction Funds, Port Properties Fund and self-insurance account are pledged for the debt service requirements of the Revenue Refunding Bonds, Series 1978.

To the extent that pledged revenues exceed debt service requirements, they are available to meet operating expenses and for transfer to other funds. To the extent unexpended, these amounts continue to be available for the debt service requirements in any year.

Notes To Financial Statements

Continued

B. Revenues and Operating Expenses as Determined by Accounting Practices Prescribed by the Trust Agreement, continued:

Presented below are the 1990 and 1989 revenue and operating expenses as determined in accordance with the Trust Agreement and a reconciliation to net income as presented in the Statements of Income under Generally Accepted Accounting Principles (GAAP).

	1990 (Dollar Amounts in Thousands)							1989
			Port Properties					
	Bridge	*Airport Properties*	*Maritime*	*Development**	*Facilities Management*	*Income on Investments*	*Total*	*Total*
Revenues:								
1978 Pledged Revenues	$ 5,517	$ 71,817				$ 16,055	$ 93,389	$ 87,652
Other		72,788	$ 19,189	$ 4,777	$ 1,034	1,017	98,805	97,465
	$ 5,517	$144,605	$ 19,189	$ 4,777	$ 1,034	$ 17,072	$192,194	$185,117
Operating Expenses:								
Operations and Maintenance	$ 2,662	$ 52,199	$ 15,959	$ 2,374	$ 364		$ 73,558	$ 68,514
Administration	1,630	20,545	4,402	1,618	561		28,756	24,658
Insurance	267	2,082	596	233	66		3,244	3,575
Pension *(Note F)*	190	1,938	386	132	54		2,700	2,384
	$ 4,749	$ 76,764	$ 21,343	$ 4,357	$ 1,045		$108,258	$ 99,131

		1990	1989
Excess of Revenues Over Operating Expenses Under Trust Agreement		$ 83,936	$ 85,986
Add:	Self Insurance Cost (Expensed under Trust Agreement; not an expense under GAAP.)	481	679
Add:	Pension Adjustment (Pension cost is greater under Trust Agreement than under GAAP.)	401	379
Add:	Difference on loss of sale of equipment (Equipment is depreciated under GAAP but not under Trust Agreement.)	35	86
Less:	Payments in lieu of taxes (Not an operating expense under Trust Agreement; expensed under GAAP.)	(6,519)	(6,440)
Less:	Interest on funded debt, net of interest capitalized on projects under construction (Not an operating expense under Trust Agreement; expensed under GAAP.)	(24,833)	(22,949)
Less:	Depreciation and amortization (Not an operating expense under Trust Agreement; expensed under GAAP.)	(32,332)	(31,780)
Net Income		$ 21,169	$ 25,961

*Development includes activities related to the Authority's alternative use program, principally for Commonwealth Pier, Fish Pier and Hoosac Pier.

NOTES TO FINANCIAL STATEMENTS

CONTINUED

C. Cash and Investments:

The following summarizes the Authority's cash and investments at June 30, 1990, by the various funds and accounts established under the Trust Agreement with the Authority's bondholders.

Use defined for specific purposes:	Cash	Investments (in thousands)	Total
1978 Debt Service Fund	$ 500	$ 32,268	$ 32,768
Operating Fund, including appropriations for self-insurance	104	16,435	16,539
Maintenance Reserve Fund	4	54,483	54,487
In Lieu of Taxes Fund	0	3,419	3,419
Capital Budget Account	26	61,142	61,168
Improvement and Extension Fund	539	25,332	25,871
1985 Interest and Sinking Fund	1	12,617	12,618
1988 Interest and Sinking Fund	17	11,856	11,873
1988 Construction Fund	2	33,557	33,559
	$1,193	$ 251,109	$ 252,302

The following summarizes the Authority's investments by type of investments held at June 30, 1990.

	Carrying Amount	Market Value
	(in thousands)	
Certificates of Deposit	$ 201	$ 201
Repurchase Agreements	11,089	11,089
U.S. Government Securities and Agencies:		
Treasury Notes	62,918	63,061
Treasury Bills	3,376	3,377
Federal Farm Credit (FFC)	51,379	51,365
Federal National Mortgage Association (FNMA)	25,135	25,131
Federal Home Loan Bank (FHLB)	83,505	83,788
Federal Home Loan Mortgage Corp (FHLMC)	5,941	5,940
Zero Coupon	7,565	7,559
Total U.S. Government Securities and Agencies	239,819	240,221
Total	$ 251,109	$ 251,511

The Authority is authorized by the Trust Agreement to invest in obligations of the U.S. Treasury, U. S. Government agencies, and instrumentalities, in bonds or notes of public agencies or municipalities, in bank time deposits, and in repurchase agreements. All investments are held on behalf of the Authority by the Authority's Trustee and Custodian.

U. S. Government securities other than FFC, FNMA, FHLB, FHLMC and Zero Coupon securities are guaranteed by the U.S. Government. The Certificates of Deposit are fully guaranteed by the Federal Depository Insurance Corporation. Repurchase agreements are collaterized by obligations of the Federal government or agencies of the Federal government. It is required that securities underlying repurchase agreements must have a market value at least equal to the cost of the agreement plus accrued interest.

D. Investments in Facilities and Depreciation:

Net investments in facilities at June 30, 1990 and 1989 is comprised of:

	1990	1989
	(in thousands)	
Facilities completed:		
Land and land improvements	**$110,343**	$104,710
Bridge and bridge improvements	**71,770**	69,368
Buildings	**498,307**	474,599
Runways and other paving	**217,442**	210,933
Machinery and equipment	**42,813**	39,103
Accumulated depreciation and amortization	**(389,390)**	(357,093)
	551,285	541,620
Construction in progress	**69,953**	39,159
Net investments in facilities	**$621,238**	$580,779

Asset lives used in the calculation of depreciation are as follows:

Bridge	100 years
Bridge improvements	10 and 25 years
Airport facilities - buildings, runways and other paving	10 and 25 years
Port facilities - buildings and piers	25 years
Machinery and equipment	10 years

NOTES TO FINANCIAL STATEMENTS

CONTINUED

E. Funded Debt:

Funded debt at June 30, 1990 is comprised of:

	Revenue Refunding Bonds Series 1978		*Revenue Refunding Bonds Series 1985-A & B*		*Revenue Bonds Bonds Series 1988-A*		
	(Dollar amounts in thousands)						
Maturity on July 1	*Interest Rate*	*Amount*	*Interest Rate*	*Amount*	*Interest Rate*	*Amount*	*Total*
Serial Bonds:							
1990	6.3%	$ 4,000	7.00%	$ 830	6.00%	$ 1,135	$ 5,965
1991	6.4	4,265	7.25	885	6.20	1,205	6,355
1992	6.5	4,545	7.50	955	6.35	1,280	6,780
1993	6.6	4,840	7.75	1,025	6.50	1,360	7,225
1994	6.7	5,165	8.00	1,105	6.60	1,445	7,715
1995	6.8	5,520	8.25	1,190	6.70	1,545	8,255
1996	6.8	5,905	8.50	1,290	6.80	1,650	8,845
1997	6.9	6,305	8.70	1,405	6.90	1,760	9,470
1998	–	–	8.80	1,520	7.00	1,880	3,400
1999	–	–	8.90	1,655	7.10	2,010	3,665
2000	–	–	9.00	1,805	7.20	2,155	3,960
2001	–	–	–	–	7.30	2,310	2,310
2002	–	–	–	–	7.40	2,480	2,480
2003	–	–	–	–	7.50	2,665	2,665
Total Serial Bonds:		40,545		13,665		24,880	79,090
Term Bonds:							
1998-2012	7.125	166,385	–	–	–	–	166,385
2001-2005	–	–	9.25	9,500	–	–	9,500
2004-2015	–	–	9.375	49,530	–	–	49,530
2004-2008	–	–	–	–	7.75	16,705	16,705
2009-2018	–	–	–	–	7.75	59,515	59,515
Total Funded Debt:		$ 206,930		$ 72,695		$101,100	$380,725

SEE NOTE B FOR REVENUES PLEDGED AS SECURITY FOR THE 1978 BONDS AND AVAILABLE FOR THE 1985 AND 1988 BONDS.

In prior years, the Authority defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust with the Trustee for such bonds to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Authority's financial statements. At June 30, 1990 the following bonds outstanding are considered defeased:

		June 30, 1990 (in thousands)
1964	Series	$ 35,455
1969	Series	50,235
1971	Series	62,845
1973	Series	88,485
1982	Series	53,045
Total Defeased Bonds		$ 290,065

NOTES TO FINANCIAL STATEMENTS

CONTINUED

F. Pension Costs:

In July of 1978, the Massachusetts legislature passed legislation which was enacted as Chapter 487 of the "Massachusetts Acts of 1978" and signed into law on July 18, 1978. This enactment provided for the establishment of the "Massachusetts Port Authority Employees' Retirement System," (the Plan), a contributory retirement system that is separate from the Massachusetts State Employees' Retirement System. Prior to this enactment, Authority employees were members of the state employees' system and the funding of the pension liability was on a "pay as you go" method. Pursuant to this enactment, the employees' present rights and benefits were transferred to the new system and the Authority established a separate pension fund. The Plan was established to provide retirement benefits for substantially all employees of the Authority and incidental benefits for their surviving spouses, beneficiaries and contingent annuitants. The Authority funds pension costs based on the actuarially determined annual pension expense which includes current service cost and the amortization, over a 20-year period, of unfunded prior service costs. This annual pension contribution, as actuarially determined, includes a factor for the reimbursement to the Commonwealth for amounts expended by the Commonwealth on account of the Authority's employees retired prior to January 1, 1979.

The Authority's covered payroll for members of the Plan as of the most recent actuarial valuation dates was $25,998,000 as of January 1, 1989. Total payroll for Authority employees was $37,044,000 for the twelve months ended December 31, 1988.

The actuarial cost method utilized to determine contributions to the Plan for the years ended December 31, 1989 and 1988 was the entry age normal-frozen initial liability cost method.

The more significant actuarial assumptions underlying the actuarial computations for the Plan years ended December 31, 1989 and 1988 are as follows:

Assumed rate of return on investments	– 8% per annum compounded annually
Nondisabled life Mortality basis	– 1971 Group Annuity Mortality Table for males and the same table with ages set back six years for females
Employee turnover basis	– Based on actuarial table T-5 from the Pension Actuaries Handbook
Salary escalation	– 6% per annum
Retirement	– Age 63 or age as of the valuation date if later
Retirement benefits	– 2.30% per year of service
Post-retirement cost of living increases	– 4.50% per annum compounded annually

The amount shown below as "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help assess the Plan's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among other Public Employee's Retirement Systems Plans. The measure is independent of the actuarial funding method used to determine contributions to the Plan.

The pension benefit obligation was determined as part of an actuarial valuation at January 1, 1989. Significant actuarial assumptions used include: (a) a rate of return on the investment of present and future assets of 8 percent per year compounded annually, (b) projected salary increases of 6 percent per year, attributable to inflation and merit increase, and (c) post-retirement benefit increases from an assumed cost of living increase of 4.50 percent annually.

At January 1, 1989 the assets in excess of pension benefit obligation was $4,236,584, determined as follows:

Pension benefit obligation:	
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	$16,231,416
Current employees:	
Employee financed	14,335,966
Employer financed-vested	13,842,058
Employer financed-nonvested	14,504,552
Total pension benefit obligation	58,913,992
Net assets available for benefits	63,150,576
Assets in excess of pension benefit obligation	$ 4,236,584

The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due and fund operating costs of the Plan. Employer contributions are determined using the entry age normal-frozen initial liability cost method. The Plan also amortizes the unfunded liability in level amounts over a period of 20 years.

Notes To Financial Statements

Continued

F. Pension Costs, continued:

Total contributions to the Plan were $4,669,209 for the Plan year ended December 31, 1989. This includes employee contributions of $2,101,257 which are based upon a percentage of employee base pay (5% for employees hired before December 31, 1974, 7% for employees hired between January 1, 1975 and December 31, 1983 and 8% for employees hired after December 31, 1983 and effective January 1, 1988, and an additional 2% of base pay over $30,000 for those employees hired after December 31, 1978) and employer contributions of $2,567,952 which were made in accordance with actuarially determined contribution requirements determined through an actuarial valuation performed for the Plan's fiscal year beginning January 1, 1989. Employer contributions consisted of: (a) $995,024 normal cost, (b) $1,329,952 amortization of the unfunded actuarial accrued liability, and (c) $242,976 funding for operating costs. These contributions made by the employee and employer during Plan year l989 represents 8% and 10% of covered payroll, respectively.

Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the standardized measure of the pension obligation discussed above.

Plan Year	1) Net Assets Available for Benefits	(2) Pension Benefit Obligation	3) Percentage Funded (1) ÷ (2)	(4) Assets in Excess of ension Benefit Obligation (1) ÷ (2)	5) Annual Covered Payroll	(6) Assets in Excess of Pension Benefit Obligation as a ercentage of Annual Covered Payroll (4) ÷ (5)
1987	$47,699,280	$43,660,788	109.2%	$4,038,492	$21,268,000	19.0%
1988	54,212,201	50,274,392	107.8%	3,937,809	25,974,904	15.2%
1989	63,150,576	58,913,992	107.2%	4,236,584	25,998,317	16.3%

Analysis of the dollar amounts of net assets available for benefits, pension benefit obligation, and unfunded pension benefit obligation in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides one indication of the Plan's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the Public Employee Retirement System (PERS). Trends in assets in excess of pension benefit obligation and annual covered payroll are both affected by inflation. Expressing the assets in excess of pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of progress made in accumulating sufficient assets to pay benefits when due. Generally, the larger this percentage, the stronger the PERS.

Historical trend information for the Plan years 1979 (year of Plan inception) through 1989 designed to provide information about the Plan's progress made in accumulating sufficient assets to pay benefits when due is presented in the Plan's separately issued financial statements.

For the financial statements prepared in accordance with generally accepted accounting principles, pension expense includes current service cost and amortization of past service costs that were determined as of July 1, l973, over a 25-year period commencing in 1974. Total pension expense so determined was $2,299,000 and $2,005,000 for the years ended June 30, 1990 and 1989, respectively.

In addition to providing pension benefits, the Authority provides certain health care benefits for retired employees through insurance company contracts. The Authority recognizes the cost of providing those benefits by expensing the insurance premiums, when paid. This expense was $460,000 and $495,000 for the years ended June 30, 1990 and 1989, respectively.

G. Deferred Compensation:

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Authority employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the Authority (without being restricted to the provisions of benefits under the plan), subject only to the claims of the Authority's general creditors. Participants' rights under the plan are equal to those of general creditors of the Authority in an amount equal to the fair market value of the deferred account for each participant. It is the opinion of the Authority's legal counsel that the Authority has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The Authority believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

The market value of the deferred compensation plan assets and the total amount of deferred compensation, including income earned, were each $5,516,000 and $4,154,000 at June 30, 1990 and 1989. These amounts are included in the accompanying balance sheet under the captions Prepayments and other assets and Accounts payable and accrued expenses.

NOTES TO FINANCIAL STATEMENTS
CONTINUED

H. Contingent Liabilities and Commitments:

Contractual Obligations for Construction:

Contractual obligations for construction were approximately $83,482,000 at June 30, 1990.

Interest Rate Swap Agreements:

The Authority has entered into interest rate swap agreements to reduce the cost of fixed rate interest expense on its funded debt (See Note E). At June 30, 1990, the Authority had outstanding two interest rate swap agreements with an underwriter having a total notional amount of $50 million. Under the terms of these agreements, the Authority will receive fixed interest payments of 6.68% beginning in May 1990 through May 1993 and 6.23% from June 1989 through June 1999 on a notional amount of $20 million and $30 million, respectively, and pay interest at a rate that varies with the J.J. Kenney index. This index was 6.03% at June 30, 1990. The agreements could be restructured to avoid any adverse risk to the Authority. The Authority does not anticipate any losses over the term of these agreements.

Interest expense was reduced for net differentials related to interest rate swap agreements by $30,000 and $95,000 for 1990 and 1989, respectively.

I. In Lieu of Taxes:

The Enabling Act authorizes and directs the Authority, subject to certain standards and limitations, to enter into agreements to make annual in lieu of tax payments to Boston, Chelsea and Winthrop.

These agreements and annual extensions currently provide for payments aggregating approximately $6,519,000 to these municipalities, of which $5,476,000 is subject to annual adjustment through 1993 by reference to an index related to the consumer price index and Logan airport commercial passenger enplanements.

The agreements extend from 1993 through 1999, although the amount of in lieu of tax payments during this extension period is subject to the results of best efforts negotiations. The annual payments are not to exceed the balance of revenues remaining after deposits to the 1978 Debt Service Fund, payment of operating expenses, deposits to the 1985 & 1988 Interest and Sinking Funds and deposits to the Maintenance Reserve Fund.

J. Litigation:

Pending Initiative Petition

The Massachusetts Constitution provides for the enactment of statutes by the voters' adoption of proposed legislation placed on the ballot by initiative petition. Several initiative petition proposals will appear on the November, 1990 statewide ballot including a measure known as the CLT Petition. The CLT Petition proposes to lower the state income tax rate and regulate the setting of fees and charges by state agencies and authorities, including the Authority. If enacted by the voters, the CLT Petition will become law on December 6, 1990. The Authority cannot predict whether the CLT Petition will be enacted by the voters.

Provisions of the proposed CLT Petition which may be held applicable to the Authority include, in summary: (a) that the fees and charges imposed by the Authority shall be no more than those in effect on June 30, 1988; (b) that such fees and charges be set at not less than the cost of providing the service or facility for which they are made; and (c) that fee levels would thereafter be determined by the state's Secretary of Administration, provided that any new fee and any increase or decrease in an existing fee would require the approval of the state legislature. The extent to which the petition applies to some of the varied revenue sources of the Authority is unclear. However, the CLT Petition appears to effectively repeal the provisions of the Enabling Act authorizing the Authority independently to fix fees and charges for its services and the use of its facilities.

If the CLT Petition is enacted, the Authority intends to pursue several courses to minimize the petition's possible adverse effects. These courses include (1) seeking judicial and legislative relief by narrowing the construction of the petition or achieving its amendment; (2) taking financial actions prudently and reasonably available, if any, to conserve its financial resources and maintain creditworthinesss pending legislative and judicial relief; and (3) supporting efforts to obtain a legal determination by a court of competent jurisdiction that relevant provisions of the CLT Petition are an unconstitutional impairment of financial covenants made to Bondholders of the Authority. In light of the uncertainty of how the petition should be interpreted to apply to the Authority's varied revenue sources, the Authority cannot predict the effect of the CLT Petition on its operation and revenues during the period of any such challenge.

In the event that the CLT Petition were enacted, and its requirements were determined to effect the Authority, and legislative or judicial relief from its provisions were not obtained, or the Secretary of Administration and the legislature failed or refused to set fees and charges at appropriate levels, the Authority could be prevented from properly operating and maintaining certain of its properties or projects and the Authority's ability to meet debt service coverage requirements and assure payment of debt service on its Bonds could be adversely affected.

Landing Fee Structure

In May 1988 the Authority adopted a new landing fee structure at Logan Airport ("Airport") effective July 1, 1988. The new structure eliminated the use of aircraft weight as the exclusive basis to the fee and substituted a fee consisting of both a weight-based component and a "per landing" component. The new structure was challenged by litigation brought in the United States District Court for the District of Massachusetts and before the United States Department of Transportation ("DOT") by various parties (representing, in general, operators of small aircrafts and other similar interests). On December 22, 1988, DOT issued an Opinion and Order in which it found the July 1988 landing fee structure to be violative of certain federal aviation statutes. The Authority rescinded the landing fee structure on December 27, 1988.

NOTES TO FINANCIAL STATEMENTS

CONTINUED

J. Litigation, continued:

In April 1990 an action was filed with the United States District Court for the District of Massachusetts by three aircraft owners who allegedly landed their aircraft at the Airport during the period that the July 1988 landing fee structure was in effect. The plaintiffs seek a refund of amounts allegedly overpaid by them. They claim that the July 1988 fee structure resulted in higher costs to them than if a weight-based fee had been employed. The aggregate amount of plaintiffs' claims as a result of their own operations is believed to be not more than $8,500 and immaterial in terms of the Authority's ability to meet its debt service obligations with respect to the Bonds. In addition to presenting their own claims, however, plaintiffs are seeking similar relief on behalf of a class apparently consisting of all operators of fixed wing aircrafts which paid fees under the July 1988 fee structure. Even if plaintiffs are awarded class certification, the amounts sought to be recovered on behalf of all members of the class are believed to be not more than $2,700,000.

While the outcome of this matter cannot be predicted with certainty, the Authority's litigation counsel believe that the Authority has meritorious defenses, including claims against certain air carriers that paid smaller landing fees as a result of the July 1988 landing fee structure.

Hazardous Waste Litigation

The Authority is co-defendant with Raytheon Corporation in a state court action filed by the Town of Bedford which claims that three drinking water wells owned by the Town were contaminated in 1983 by contaminants from Raytheon's nearby research facility and from Hanscom Field. This case is currently in the discovery stages. By letter dated November 17, 1986, the Authority's primary insurance carrier, United States Fire Insurance Company, agreed to pay all costs associated with the defense of this suit. United States Fire Insurance Company has reserved its rights concerning coverage.

A related federal court action also seeks relief against the United States Air Force and the United States Navy, as well as Raytheon and the Authority. It seeks recovery of all costs associated with cleaning up Bedford's contaminated wells and for damages to natural resources. The Authority and the other defendants filed motions to dismiss Bedford's natural resource damage claim. These motions are pending. United States Fire Insurance Company has also agreed to pay the Authority's defense costs in this matter and has reserved its rights with respect to coverage.

At this time, the Authority cannot estimate its exposure in either the federal or state court action. The Authority is vigorously defending the legal actions.

In addition, the Authority is a defendant in a number of legal proceedings arising in the normal course of business.

Management, after reviewing all actions and proceedings, pending against or involving the Authority, believes the aggregate liability of loss, if any, resulting from the final outcome of those proceedings will not be material to its financial statements.

K. Leases:

The Authority leases a major portion of its Aviation and Port Properties to various tenants. Most of these operating leases provide for periodic adjustments to rental rates. In addition, certain of the lease agreements contain provisions for contingent payments based on a specified percentage of the tenant's gross revenue. Rental income from contingent payments received under these provisions was approximately $22,431,000 and $21,957,000 for 1990 and 1989, respectively.

Minimum future rentals, excluding contingent rentals, from noncancelable operating leases as of June 30, 1990 are as follows:

	Amount *(in thousands)*
1991	$ 16,440
1992	15,560
1993	15,210
1994	14,818
1995	13,955
Thereafter	233,705
	$309,688

L. Related Party:

In June of 1984 the Authority entered into a lease agreement, which expired in June of 1990 and was renewed through June of 1991, with The Commonwealth of Massachusetts for office space at the State Transportation Building. Under the terms of the lease, the Authority paid rental fees of approximately $1,312,000 for the year ended June 30, 1990 to the Commonwealth of Massachusetts. The Authority also entered into a contract which expired on June 30, 1990 and was renewed through June 30, 1991, to provide building management services for the State Transportation Building. Consideration for these services was $288,000 for the year ended June 30, 1990. The Commonwealth of Massachusetts also reimbursed the Authority approximately $747,000 for the year ended June 30, 1990 for direct building management expenses incurred by the Authority and approximately $5,260,000 for the year ended June 30, 1990 for building expenses paid by the Authority on behalf of The Commonwealth of Massachusetts.

M. Subsequent Event:

On July 12, 1990 the Authority issued Revenue Bonds, Series 1990-A, in the amount of $90,935,000. The proceeds will be used to finance the construction of certain capital projects. The debt is comprised of serial bonds of $22,800,000 and term bonds of $68,135,000. The serial bonds mature annually from 1992 to 2005 at interest rates ranging from 6.5% to 7.2%. The term bonds of $15,190,000 and $52,945,000 mature in 2010 and 2020, respectively, and bear interest rates of 7.375% and 7.5%, respectively.

STB IS A WINNER.

The State Transportation Building was designated "The Greater Boston Area Office Building of the Year" by the Building Owners' and Managers' Association (BOMA). The STB was rated by a team of judges not only on the basis of interior and exterior design, but also on such criteria as management systems and procedures, handicap access, tenant relations, and community impact.

The Massachusetts Port Authority is an independent revenue bonding authority chartered by the Massachusetts State Legislature and supported by revenues from the facilities it owns and operates: Logan International Airport in East Boston; L.G. Hanscom Field in Bedford; Tobin Memorial Bridge; the public marine terminals in the Port of Boston; the Boston Fish Pier; the World Trade Center Boston at Commonwealth Pier; and other Boston waterfront development properties.

EQUAL OPPORTUNITY FOR ALL

In support of the basic principles of the Massachusetts Executive Orders, and in compliance with state and federal laws on affirmative action, Massport is committed to a program of effective affirmative action through institutionalized procedures that ensure equal opportunity in its personnel practices, daily operations, and business transactions.

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